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Understanding financial difficulty:

Exploring the
opportunities for
early intervention

This research was carried out by the Personal Finance Research Centre at the University of Bristol, in partnership with the Institute for Employment Research at the University of Warwick. It was funded by Barclays with the independent support of the Money Advice Trust.

The Personal Finance Research Centre

Established in 1998, the Personal Finance Research Centre is an independent research centre based at the University of Bristol. Our interdisciplinary team of professional researchers specialises in policy-focused social research across all areas of personal finance, mainly from the consumer's perspective. This report was authored by Sharon Collard, Senior Research Fellow and Director of the Personal Finance Research Centre.

The research was carried out in partnership with Michael Orton, Senior Research Fellow at the Institute of Employment Research at the University of Warwick. Michael's current research focuses on three substantive themes: personal debt; worklessness and labour market activation policy; and economic inequality.

Money Advice Trust

Money Advice Trust (MAT) is a charity formed in 1991 to increase the quality and availability of money advice in the UK. We work with government, the private sector and the UK's leading money advice agencies to:

- increase the availability of money advice;
- improve its quality; and
- improve the efficiency and effectiveness of its delivery.

MAT's key activities are:

- Support to the debt advice sector through:–
 - adviser support
 - second tier support
 - quality assurance developments, e.g. accreditation
 - policy, research and evaluation
 - fundraising, facilitation and strategy development
 - direct service provision (National Debtline, Business Debtline and My Money Steps).

Foreword



Should a lender be engaging borrowers who appear to be on the verge of financial difficulty? This is a question which intuitively divides. Some people think this skates too close to a 'Big Brother' or 'nanny state' type activity. Others think that lenders have a responsibility to support their customers at risk of financial difficulty and that contacting customers in this way does help. This research seeks to address the question, suggesting some sensitive ways forward, where little evidence has been gathered before.

The research has found that whilst some customers hold reservations about being contacted by their bank in this way, many more welcome the experience and benefit from it.

Of course the discussion around this issue cannot just be about whether or not contacting people who show signs of financial difficulties is a good idea. It must also consider what form this contact should take, and what options are available to support these customers. Clearly, signposting to independent sources of advice – especially where debts are with more than one creditor – will help individuals deal more holistically with their financial situation, rather than just with one debt to one creditor.

The overwhelming conclusion of this report is that if lenders can effectively identify those customers who appear to be struggling with their commitments and apply a sensitive strategy for contacting and helping these customers, there is potential to significantly widen the range of options available to them. An added benefit is that this increases the number of people receiving early advice on financial difficulties, which can have a positive impact on the financial health of households across the UK.

The foresight of Barclays in identifying this as a topic for investigation should be applauded and we welcome their commitment to further improve the help they give to struggling customers. Additionally the research excellence at Bristol University has played a crucial role in developing the strong results we are able to present.

So, should a lender be proactive in contacting borrowers who appear to be on the edge of financial difficulty? Our conclusion is an unequivocal 'yes', and we very much look forward to working together with Barclays and with other lenders to help get their customers back to financial health.

Joanna Elson

Joanna Elson

Chief Executive, Money Advice Trust

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1. Introduction

In 2010, a survey of consumer vulnerability found that 43 per cent of British households had experienced financial difficulties with their household bills or credit commitments at least sometimes in the past 12 months. This figure had increased from 31 per cent in 2007 (Finney, 2010). While a significant minority of these households may be in arrears with credit commitments or household bills, many others will be struggling to keep up with payments even though they have not fallen behind.

There is increasing interest in the UK credit industry, the advice sector and government to explore ways of engaging at an early stage with consumers who are at risk of financial difficulties, in order to prevent the escalation of debt problems and avoid the costs of debt recovery. The wider economic and social benefits of this type of early engagement are compelling. It is estimated that the average cost of a debt problem to the public purse and in lost economic output is over £1,000, with more serious problems costing many times this amount (Pleasence et al, 2007). There is also strong evidence of an association between personal debt and mental health problems (Fitch et al, 2009).

The Lending Code, compiled and monitored by the Lending Standards Board, sets out minimum standards of good practice for lenders when dealing with their customers. This includes dealing with customers who experience financial difficulties. The Code states that lenders should proactively contact customers if they become aware that a customer may be at risk of being in financial difficulties (Lending Code 2011, section 182). Some of the risk indicators include regular unarranged overdrafts; changes in account

behaviour; or missed or overdue payments (Lending Code, section 183). The adoption of proactive contact by the credit industry as a whole (not just Lending Code subscribers such as Barclays) has been advocated by the British Bankers' Association as a means of helping to prevent over-indebtedness (Accenture, 2010).

1.1 Background to this research

Barclays offer a range of support to customers who have concerns about their finances. This research considers one element of this support, namely a pre-arrears service which is available to customers who have a personal unsecured loan or overdraft and who are showing signs of financial difficulty, even though they may not yet have missed a repayment or be over their overdraft limit.

A dedicated pre-arrears team, called the Customer Review Team (CRT), gives assistance to customers who call in of their own volition as well as proactively contacting customers where Barclays' systems indicate that the customer may be showing early warning signs of financial difficulty. Over 50,000 customers have been assisted by this service since late 2007 which aims to prevent the escalation of debt problems and provide assistance at an early stage.

Barclays commissioned this independent research to gain insight into the needs and motivations of consumers who have been assisted by this team and to understand the impact that pre-arrears support can have.

1. Based on data collected between 2006 and 2008, the Wealth and Assets Survey reports that 10 per cent of all British households are in arrears (Daffin, 2009).

2. www.lendingstandardsboard.org.uk

1.2 Research aims

The aim of the research was to explore the views and experiences of customers who had been in contact with the Barclays CRT. The research focused on three specific issues:

1. How do customers understand and define their financial situation in relation to any difficulties they experience?
2. What is the customer's psychological and emotional experience of moving from financial wellbeing to potentially being at risk of financial difficulty?
3. What are customers' views and experiences of pre-arrears services and what are the impacts of these strategies for customers?

1.3 Research methods

The two elements of the research were (1) quantitative analysis of Barclays' management information and (2) qualitative research with Barclays' customers who had been in contact with the CRT.

A brief literature review was also carried out at the beginning of the research. This indicated that there is very little published research on pre-arrears services at the present time. We refer to findings from the literature review in the relevant report chapters.

1.3.1 Quantitative analysis

The research began with quantitative data analysis of Barclays' management information, for customers who were recorded as having contact with the CRT between September 2008 and the end of January 2011. The anonymised dataset included over 28,000 customers. The aim of this analysis was to understand the profile of CRT customers and to identify any key differences between customers who were proactively contacted by the CRT and customers who contacted the CRT themselves. This analysis is reported in Chapter 2.

We were also able to use the quantitative data to explore the characteristics of customers who were proactively contacted by Barclays CRT, to identify any significant differences between customers who decided to take up an offer of help from CRT and those who did not take up the offer. This analysis is reported in Chapter 4.

1.3.2 Qualitative research

The particular value of qualitative research is that it provides an in-depth understanding of how and why people behave in the way they do or hold the particular views they hold. As such, it provides a richness and depth of information that cannot be achieved from quantitative data. It is important to note that qualitative data is not intended to be representative of any given population.

The qualitative research we carried out for this study comprised one-to-one depth interviews and focus groups with (a) customers who were contacted proactively by Barclays CRT and engaged with the process and (b) customers who contacted Barclays themselves having self-identified as being at risk of financial difficulty. The research did not include customers who were proactively contacted by Barclays CRT but decided not to engage with the process. The customers who participated in the research were recruited at random from Barclays' customer records by a market research agency.

A total of 36 face-to-face depth interviews were held with customers who were recorded as having had contact with the CRT. The quantitative data analysis described in section 1.3.1 was used to ensure that the customers who took part in the depth interviews were broadly similar to CRT customers generally, in terms of how they came into contact with the CRT; gender; age and employment status. Of the 36 interviews, 23 customers had contacted Barclays themselves and 13 interviews were held with customers who were proactively contacted by the CRT. The profile of customers we interviewed in depth is provided in Appendix Table A1.

We also held four focus groups with CRT customers. The groups were mainly recruited on the basis of customers' age, and comprised one focus group of CRT customers aged under 30; one group of customers in their 30s; one group of customers in their 30s and 40s, and one group of customers aged over 40. Each of the focus groups comprised a mix of customers who had contacted Barclays themselves as well as those who had been proactively contacted by the CRT, and a mix of men and women.

1.4 This report

The research findings described in the following chapters draw on the quantitative and qualitative research that was carried out with customers of Barclays CRT. The research focused on customers' perspectives of financial difficulty and their views and experiences of engaging with Barclays (and other creditors) to try and resolve those difficulties. The credit industry perspective in relation to dealing with customers in financial difficulty was not covered in this research.

Chapter 2 draws on the quantitative analysis of Barclays' customer management data to describe the socio-demographic characteristics of customers who had contact with the CRT. In Chapter 3, we use the qualitative interviews to explore the causes of financial difficulties among CRT customers and the impact of such difficulties on individuals and their families. Chapter 4 explores how customers engage with their creditors at times of financial difficulty and the types of help they received from the Barclays pre-arrears service. In Chapter 5, we look at the outcomes for customers in terms of resolving their financial troubles. The final chapter describes customers' views and experiences of engaging with Barclays CRT and what they consider to be the key components of an 'ideal' pre-arrears service for customers who are at risk of financial difficulty.

2. Who uses the Barclays Customer Review Team?

Barclays Customer Review Team (CRT) proactively contacts personal customers who show early warning signs of financial difficulty at the pre-arrears stage, in order to help them improve their financial situation. The CRT also helps customers who get in contact with Barclays themselves because of concerns they have about their finances. This section reports our quantitative analysis of Barclays' management information, for customers who had been in contact with the CRT between September 2008 and the end of January 2011. The anonymised dataset included over 28,000 customers.

Our quantitative analysis indicated that, over this period, two-thirds of CRT customers (68 per cent) were people who had got in contact with Barclays themselves. The other one-third (32 per cent) were proactively contacted by the CRT team because they showed signs that they were at risk of financial difficulty. The rest of this section describes some of the key characteristics of CRT customers.

2.1 The socio-demographic profile of Customer Review Team customers

Quantitative analysis of Barclays' management information provides us with a unique and detailed picture of CRT customers. It allows us to look separately at customers who were proactively contacted by Barclays CRT and those who took the initiative to contact Barclays themselves.

Looking across CRT customers as a whole, we see that they comprised fairly similar proportions of men (48 per cent) and women (52 per cent). The majority (71 per cent) were under 50 years of age. Four in ten customers (41 per cent) had at least one dependent relative (such as a child under 16); the remainder did not have any dependents (Table 1).

Most customers (69 per cent) were employed or self-employed at the time they came into contact with the CRT. Three-quarters of them (75 per cent) had personal incomes³ between £500 and £1,999 per month. Around one in eight customers (12 per cent) reported personal incomes less than £500 per month; the same number (12 per cent) had personal incomes of £2,000 or more per month. In terms of housing tenure, 44 per cent of CRT customers rented their home, a further 29 per cent were home-owners, and 27 per cent had some other form of living arrangement, such as living with their parents (Table 1).

3. Personal income is the income of the customer at the month end before they were referred to the Customer Review Team.

Table 1: Socio-demographic profile of CRT customers

		Customers who were contacted by the CRT	Customers who contacted Barclays	All (%)
Gender	Male	51	47	48
	Female	49	53	52
	<i>Unweighted base</i>	<i>8,781</i>	<i>19,132</i>	<i>27,913</i>
Age	20-29	18	15	16
	30-39	28	29	29
	40-49	25	27	26
	50-59	15	16	16
	60-69	9	9	9
	70+	5	5	5
	<i>Unweighted base</i>	<i>8,783</i>	<i>19,136</i>	<i>27,919</i>
No. dependents	0	59	59	59
	1	17	18	18
	2	14	16	15
	3	6	5	6
	4+	4	3	2
	<i>Unweighted base</i>	<i>8,728</i>	<i>19,036</i>	<i>27,764</i>
Work status	Full-time	49	47	48
	Part-time	12	13	12
	Self-employed	11	7	9
	Unemployed	9	16	14
	Retired	9	9	9
	Student	2	1	1
	Looking after family/home	8	6	7
	<i>Unweighted base</i>	<i>8,464</i>	<i>18,834</i>	<i>27,299</i>
Tenure	Owner occupier	32	29	29
	Tenant	40	44	44
	Other	28	26	27
	<i>Unweighted base</i>	<i>6,859</i>	<i>14,512</i>	<i>21,371</i>
Personal income	Below £500 per month	16	11	12
	£500-£999	30	29	29
	£1,000-£1,999	43	48	46
	£2,000-£2,999	8	10	9
	£3,000 or more	3	3	3
	<i>Unweighted base</i>	<i>7,978</i>	<i>17,508</i>	<i>25,486</i>

As Table 1 indicates, the profile of customers who got in contact with Barclays themselves was very similar to those who were proactively contacted by the CRT. However, there were some differences by employment status. In particular, a higher proportion of customers who initiated contact with Barclays themselves were not in work (16 per cent compared with nine per cent of customers who were contacted by the CRT). In fact, the data showed that job loss or other drop in income was by far the most common reason why customers decided to contact Barclays in the period September 2008 to January 2011.

We used regression analysis of Barclays' management information to identify whether customers' social-demographic characteristics influenced their contact with Barclays (Appendix Table A2). Regression analysis is a statistical technique that identifies the extent to which individual characteristics or other 'predictor' variables relate to an outcome of interest, while simultaneously holding constant the influence of all other predictor variables. As such, it identifies the independent influence of each characteristic of interest.

The analysis showed that employment status and gender were statistically significant predictors of whether customers contacted Barclays themselves.⁴ So, the odds of customers contacting Barclays themselves were one-and-a-half times higher for customers who were unemployed than those in full-time employment, all other things being equal.⁵ In addition, men were less likely to have contacted Barclays than women (with odds ratios of 0.76 for men compared with 1.0 for women). This supports other research which found that men were less likely than women to seek professional help for debt problems (Goode and Waring, 2011).

2.2 The profile of customers we interviewed in depth

The customers we interviewed in depth were recruited to reflect the key characteristics of CRT customers generally, as described in the quantitative data analysis above. As a result, we interviewed more customers who had contacted Barclays themselves (23) than those who were proactively contacted by the CRT (13). They included a mix of men and women and were mostly under 50 years of age. They were generally either single people with no dependents or two-parent families. Rather more rented their home than owned it, and included private renters and social housing tenants.

Almost all the customers we interviewed were in work at the time we interviewed them, or had been in work until fairly recently. The types of jobs they had included social care work such as care assistants, administrative roles, jobs in training and education such as driving instructors and teaching assistants, and skilled manual work such as electricians, HGV drivers, and mechanics.

It was not unusual for customers to have relatively insecure employment, such as agency work, casual work or to work for themselves as self-employed. As we go on to discuss in Chapter 3, fluctuating income from unstable employment of this type was often an important contributory factor in these customers' financial difficulties.

4. Tests of statistical significance are used to identify which differences are unlikely to have occurred by chance. In line with general statistical convention, we have only reported differences that have a one in 20 chance or less of being solely due to chance.

5. "Odds" and "likelihood" are similar but not identical concepts. While an odds ratio of greater than 1.0 signifies increased likelihood (and an odds ratio of less than 1.0 indicates a decreased likelihood) odds and likelihoods are not on equivalent scales so cannot be described in the same way.

3. The causes and impacts of financial difficulties

Barclays Customer Review Team operates a pre-arrears strategy which targets customers at risk of financial difficulty who are not in arrears with their Barclays credit commitments. The CRT deals with unsecured credit, specifically overdrafts and personal loans held by Barclays' current account customers. As well as the financial commitments they held with Barclays, the customers we interviewed usually had unsecured credit with other lenders, credit cards being the most common. Some customers also described concerns about keeping up with household bills such as rent or utilities.

In the following sections, we describe the causes of customers' financial difficulties; the sorts of difficulties they were experiencing; how well they were managing financially; and how they felt about their financial situation. Research consistently shows that a drop in income is the main cause of financial difficulty and this was the case among the customers that we interviewed. A strong theme that emerged was financial difficulty as a result of fluctuating earnings from agency work, self-employment or casual work. Most of the customers we interviewed faced considerable financial pressures at the time they came into contact with Barclays, and were worried and anxious about the situation they were in.

3.1 What were the causes of financial difficulties?

Previous survey research has found a strong association between the risk of financial difficulty and reductions in household income as a result of redundancy, giving up work because of ill-health or a drop in wages (Kempson, 2002). As a result, a drop in income of this type substantially increases the risk of financial problems. Put simply, financial commitments that were manageable before become unsustainable on a lower income.

Apart from a few customers whose problems stemmed entirely from over-spending, an error or mistake, almost all of the 36 customers we interviewed reported that their financial difficulties were income-related in some way. This was true of customers who contacted Barclays themselves and customers who were proactively contacted by Barclays CRT. The types of income drops they had experienced included loss of earned income due to redundancy, being unable to work for a prolonged period of time due to ill-health, relationship breakdown and non-voluntary cuts in working hours.

Fluctuating (and often low) earnings from irregular work was another important cause of financial difficulties among the customers we interviewed, particularly those who were recorded as being proactively contacted by the CRT. Examples included agency workers (such as supply teachers and HGV drivers) who experienced spells with no employment. Self-employed customers similarly reported periods when they had little or no earned income because of the sporadic nature of the service industries in which they worked, such as driving instruction, painting and decorating, and casual bar work.

In some cases, customers experienced a combination of income shocks which exacerbated their financial difficulties. Typically this involved drops in income for both earners in a two-earner household within a short period of time, such as when one partner was made redundant and the other was unable to work due to ill-health, or when both earners were made redundant around the same time. Increased expenditure, in the form of increased rent or the costs of bringing up a young family, was another factor that could contribute to financial difficulties (see Box 1).

Analysis of the depth interview data allows us to examine the periods of time over which customers' financial difficulties occurred and the point at which they came into contact with Barclays. It was clear that money worries sometimes built up over a considerable period of time, as the following examples of customer timelines illustrate.

Box 1. Causes of financial difficulty

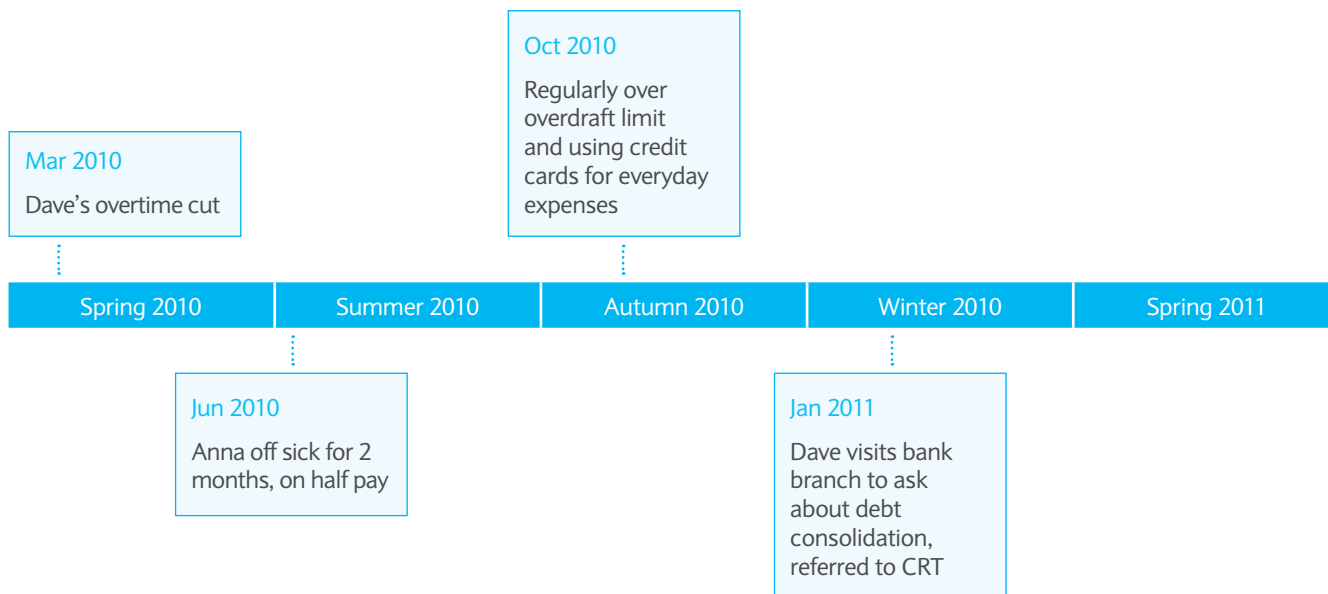
Jenny and Steve⁶ are a married couple in their 30s, with three children. They live in private rented accommodation and receive some Housing Benefit and Council Tax Benefit. Jenny is employed part-time as an administrator. Steve is currently a self-employed illustrator whose earnings vary depending on the availability of work. Before this, he was employed on short-term contracts. In the last few years, he has experienced two six-month spells of unemployment when his work contracts came to an end. During this time, his only income was Jobseeker's Allowance and Jenny was also out of work for some of the same period. They found it difficult to support their family on a significantly reduced income, while also paying the household bills. Increased rent costs and the costs of moving home several times in recent years had not helped matters. They resorted to using their credit cards and overdraft to make up their income shortfall, as Jenny explained:

'... you live on credit cards, and that, you know, obviously you know what you're doing and you know the issues, the problems you're getting into, and it's very, very scary. But, you know, it was to feed the children... we didn't buy cars or go on holidays, at all; it just went on basic things.'

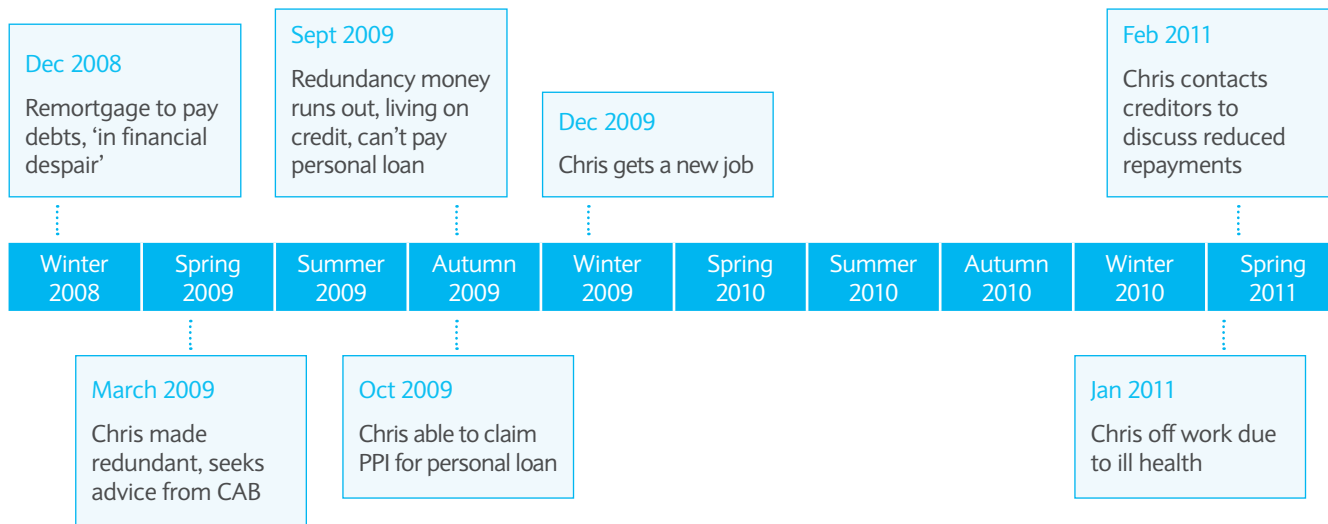
Source: Depth interviews with customers

6. Customers' names have been changed, along with some details about their circumstances.

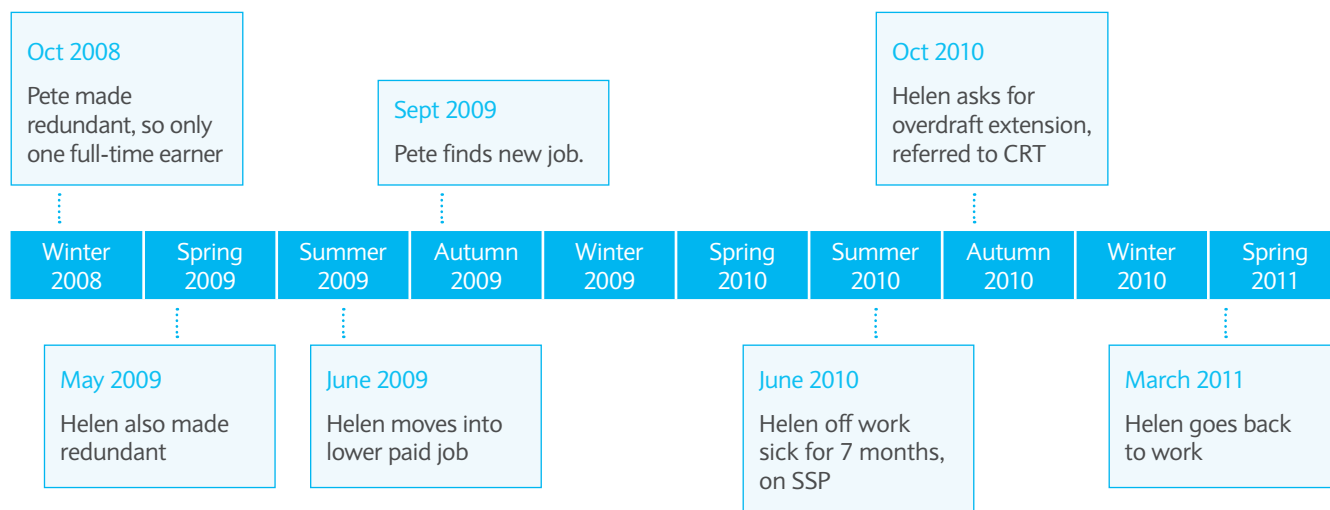
Example 1: Dave and Anna are married with one child. They rent their home from a private landlord. Dave works full-time as a bus driver, Anna is a part-time administrator.



Example 2: Chris and Steph are married with three children. They own their home with a mortgage. Chris works full-time as a car salesman, Steph is a part-time shop assistant.



Example 3: Helen is in her early 50s, married to Pete. They own their home with a mortgage. Helen used to work in the financial services industry before she was made redundant. She then took an administrative job which paid a great deal less. Pete is a mechanic for a small local firm.



3.2 What sorts of financial difficulties did customers have?

Customers' contact with Barclays either related to their overdraft on a Barclays current account or to payments on a Barclays personal loan. In the case of overdrafts, customers had reached the point where they had incurred penalty charges on more than one occasion for exceeding their authorised overdraft. This was true for most of the customers who were proactively contacted by Barclays CRT. As described earlier, these customers often had irregular employment and clearly used their overdraft to help smooth their fluctuating incomes. About half the customers who initiated contact with Barclays themselves did so in order to discuss overdraft charges. As noted in Chapter 1, the Lending Standards Board's Lending Code highlights regular use of unauthorised overdrafts as a key risk indicator of financial difficulty.

In the case of customers with personal loans, their contact with Barclays mainly came about because they anticipated difficulties making loan repayments in the near future (even though they were up-to-date with payments at the time). These expected payment problems generally took the form of a drop in income. One or two customers contacted Barclays because they had to wait for a period of time before loan payment protection insurance came into effect following a loss of income or because they were coming to the end of a period of entitlement and were still out of work.

At the time when they came into contact with Barclays, it was fairly common for the customers we interviewed to have concerns about other unsecured credit commitments as well, typically credit card debt. A few people were worried about

non-credit debts such as household bills, but it was clear from the interview data that unsecured credit commitments were the primary cause for concern.

The general picture from the interview data was that most of the customers we talked to had no other experience of similar financial difficulties. As a result, having to deal with money worries was an entirely new situation for them. A few customers had previously defaulted on consumer credit or taken out a personal loan or remortgaged in order to pay off consumer credit commitments such as credit cards.

3.3 How well were customers managing financially?

We asked customers to subjectively assess their household financial situation at the time when they came into contact with Barclays. Their responses highlighted that most of them were feeling under considerable financial strain and clearly recognised the financial pressures that they faced. Almost all the customers we interviewed described how, by that point, they were struggling to keep up with their household bills and credit commitments at least some of the time. Some customers were in the early stage of arrears (usually defined as in arrears on a payment by 90 days or less) with financial commitments held with creditors other than Barclays, having already fallen behind with bills or other payments (Table 2).

The ways in which customers tried to manage their worsened financial situation included juggling payments between creditors and cutting back on spending, such as not using the car, moving to cheaper rented accommodation or moving back to live with parents, buying reduced food items in the supermarket and cancelling mobile phone insurance.

Table 2: Which of these statements best describes your financial situation at the time you came into contact with Barclays?

Statement	Number of responses
Keeping up without any difficulties	1
Keeping up but it was a struggle from time-to-time	11
Keeping up but it was a constant struggle	10
Had fallen behind with some of them	7
Had fallen behind with many of them	6
Don't know	1

Source: Depth interviews with customers

3.3.1 Use of independent advice services

Given the financial strain that customers were under, it was notable that most of them did not consider or use an independent advice service at any time during the course of their recent financial difficulties. Previous research indicates that people who seek advice about financial difficulties from third parties tend to be more heavily indebted than those who do not (Mewse et al, 2010).

As most of the customers we interviewed were not in arrears with any of their bills or payments, this may help explain the low levels of advice-seeking that they reported.

Some customers also offered reasons why they had not considered seeking advice such as; they felt they knew enough without seeking advice; they talked to friends or family instead; they were not in arrears with any payments; they had no money and so thought it was pointless asking for advice; or because they preferred not to discuss their finances with anyone.

Several people had, however, sought help from an independent advice service before they came into contact with Barclays or their other creditors. There were no clear differences between these customers and those who did not seek advice, in terms of the extent of their financial difficulties. Customers who sought help were advised to contact their creditors and offer a payment they could afford; they sometimes received help from an adviser to work out affordable payment offers. Customers generally felt the advice had been useful; one commented that it was 'probably the beginning of our financial education'.

As we go on to describe in Chapter 4, some of the customers we interviewed went on to contact an independent advice service on the advice of CRT staff. A number of customers in the depth interviews and focus groups expressed a strong preference for dealing with Barclays directly rather than through a third party, an issue we discuss in Chapter 6.

3.4 How did customers feel about their financial difficulties?

There is a considerable body of evidence about the detrimental impact of money worries and financial difficulties on people's well-being. Survey data indicates that stress and anxiety are common consequences of being in financial difficulty, with money problems often taking a toll on family relationships as well (Kempson, 2002). A strong association has also been identified between debt and mental health problems, although there is no evidence of a causal link between the two (Fitch et al, 2009).

The psychological and emotional impacts of financial difficulty were clearly evident in the interviews and focus groups with Barclays' customers. In particular, many customers vividly described the stress and anxiety that resulted from their financial difficulties, which themselves were usually the outcome of difficult situations such as redundancy, the loss of a job due to physical or mental health problems, or the breakdown of a relationship (see Box 2). Some customers also described the ongoing worries associated with irregular work and fluctuating earnings. As a result, financial difficulties could put additional strain on personal relationships and lead to tension and arguments between couples.

Understanding the psychological and emotional state that customers may be in as a result of financial difficulties is therefore an important factor for creditors to take to account when thinking about effective pre-arrears services. The services that customers would like to receive from creditors and how they respond to contact with creditors are likely to be significantly coloured by their feelings about their own situation.

Box 2. In their own words: Customers' experiences of financial difficulties

'When you get problems it affects your relationships and when your boy wants attention, you're miserable and thinking 'Oh, go away, I've got these things to think about.'

'I felt trapped that I was going under.'

'Getting more and more skint every day.'

'When things started to go wrong I started thinking oh my gosh, you know, my footing has now gone from like quite solid to sand... I'm starting to slip and slide around the place.'

'It made me quite unwell... anxiety, panic attacks.'

Source: Depth interviews with customers

4. How do customers engage with the Customer Review Team?

Barclays Customer Review Team (CRT) offers pre-arrears help to customers who have been identified as at risk of financial difficulty, but also to customers who get in contact with Barclays themselves because of concerns about their financial situation. The customers we interviewed in depth had been in contact with Barclays at some point between 2009 and early 2011. As we saw in Chapter 3, money worries sometimes built up over a considerable period of time, for example redundancy of one earner compounded by a period of ill-health for the second earner in a household, or long-term low and unstable incomes.

The following sections explore the process by which customers engaged with Barclays and their feelings about it. Both the quantitative and qualitative data highlight the fact that customers generally welcomed proactive contact by the CRT. Quantitative analysis also indicates that age, employment status and personal income were significant predictors of whether or not customers who were proactively contacted by the CRT at the pre-arrears stage decided to take up an offer of help.

4.1 Getting in contact: customers who contacted Barclays

Some customers who experienced a loss in income (such as redundancy) got in contact with Barclays soon after this happened, typically within a month. This was not the norm however, as most of the customers we talked to only contacted Barclays quite some time after the initial problem had occurred – usually at least three months afterwards. In some cases, customers had experienced a gradual decline in income over a period of time which made it difficult to pinpoint when their financial difficulties had started.

A few customers had safety-nets such as payment protection insurance or savings to fall back on in the short-term. Others described how they had put off contacting Barclays, and only got in touch once they felt their financial situation was beyond their control and they needed Barclays help to sort things out, for example before they fell behind with their loan repayments. This may be linked to factors such as over-confidence in the ability to repay borrowing and over-optimism about the future, as suggested in research carried out in the US (Bertrand and Morse, 2010). One of the customers we interviewed, for example, put off contacting Barclays for several months after he lost his job because he continued to hope that he would be able to find work.

4.1.1 What prompted customers to get in contact?

The customers we interviewed in depth who got in contact with Barclays themselves were mostly prompted to do so for one of two reasons. The first was customers who realised that they would not be able to continue to meet their financial commitments (typically personal loan repayments) to Barclays for much longer. The second was customers who wanted to discuss the overdraft charges they had incurred. The financial difficulties experienced by this second group generally stemmed either from having a fluctuating income or from overspending. Other reasons for getting in touch were mentioned by a few customers, such as to arrange an overdraft extension or because they had seen a television programme about dealing with debt.

Customers expressed a range of feelings about getting in contact with Barclays to discuss their financial situation.

Some felt reasonably happy to get in touch because they had a good relationship with bank branch staff or they were a long-standing customer of Barclays and were familiar dealing with the bank on the telephone or face-to-face. Others reported a strong desire to sort out their financial situation, in a few cases prompted by advice received from an independent advice service. Yet others felt nervous or unsure about getting in touch: because they had negative experiences of contacting creditors for similar reasons in the past; because they were embarrassed to find themselves in financial difficulties; or because they were not sure whether Barclays would be willing or able to help them.

Access to Barclays CRT is managed by means of customer referrals from other departments within Barclays. Most of the customers we interviewed had contacted Barclays' customer service telephone helpline, and were then transferred to the CRT. Alternatively, some customers had initially gone into their bank branch to discuss their financial situation and were put through to the CRT by branch staff or given the CRT telephone number. For the most part, customers reported that these referrals to the CRT worked well, and they were put in touch with the CRT straight away. In some cases, however, customers only managed to get in touch with the CRT after several visits to their bank branch or several calls to the customer service helpline. Customers' perception that they had been sent 'round the houses and back again' was a source of considerable frustration, as we go on to discuss in Chapter 6.

Box 3. Getting in contact

Geoff is a single man in his early 40s, who rents his flat from a housing association. He earns his living as an HGV driver for an agency, but over the last 18 months the work has been very sporadic. Some weeks he has no work at all. Geoff visited the Citizens Advice Bureau for advice about his Barclays personal loan and two credit cards when he realised that *'I'm going to be all right for the next 2-3 months, but after that...'* He was advised to offer his creditors what he could afford to repay, based on his income and expenditure.

Geoff phoned Barclays customer service helpline the next day, and after explaining his situation was transferred to the CRT, who he referred to as the *'finance advice team'*. He felt confident about getting in touch with his creditors because of the advice he had received from the CAB. He had also seen television programmes and newspaper articles that advised people with money worries to get in touch with their creditors.

Source: Depth interviews with customers

4.2 Being contacted: customers who were proactively contacted by the Customer Review Team

As we saw in Chapter 3, customers who were proactively contacted by Barclays were generally worried about their financial situation at the time they received the telephone call from the CRT. In one or two cases, proactive contact from the CRT was a result of errors or discrepancies on accounts that resulted in customers incurring bank charges. Both the quantitative and qualitative research shows that customers clearly welcomed proactive contact by the CRT at the pre-arrears stage. The customers we interviewed in depth did not report being proactively contacted by any of their other creditors at the pre-arrears stage to discuss their financial situation.

Our quantitative analysis of Barclays' management information for the period September 2008 to January 2011 found that the majority (80 per cent) of customers who were proactively contacted went on to work with the CRT to address their financial issues. A minority of customers (20 per cent) decided not to engage with the CRT, for the most part because they did not consider themselves to be at risk of financial difficulty at the time they were contacted.

The qualitative interviews with customers provide information about how customers felt about being contacted by the CRT at the pre-arrears stage.⁷ Some were pleased (if surprised) to be contacted by their bank with an offer of help. One customer, for example, was worried about her financial situation but had not known who in the bank to contact. Another had been unaware of any problem with his overdraft until the CRT contacted him about the over-limit charges he had incurred.

Box 4. Being contacted

Alison is a single parent in her 30s, with one child at primary school. Her money worries related to the break-up of her long-term relationship which meant she had to set up home on her own. At the time, she was only working part-time as a retail assistant and struggled to pay the rent and bills for the house she moved into. She began to exceed the authorised limit on her overdraft on a regular basis, and to incur penalty charges of around £60 per month.

After this had happened for two or three months in a row, Alison received a telephone call from the CRT to discuss her financial situation. She welcomed the call, saying 'I think the fact that somebody called was quite nice and reassuring'. She had not contacted Barclays herself about the overdraft charges because she did not think they would be able to help her, and would not be interested in her problems.

Source: Depth interviews with customers

In contrast, other customers described feeling annoyed or frustrated when they were contacted by the CRT. This was generally because they had previously contacted the bank themselves and did not get the help they wanted, or (in the case of overdraft charges) because they felt the bank should have contacted them sooner, before they had incurred the charges. Despite their ambivalence, all these customers went on to discuss their financial situation with the CRT.

7. Most of the customers we interviewed had received a telephone call from the Customer Review Team. A few had been put through to the CRT after they had contacted Barclays' customer service helpline or visited a bank branch.

4.2.1 What determines whether customers engage with the Customer Review Team?

Our quantitative analysis of Barclays' management information provides valuable new insights into early customer engagement with creditors.

We used regression analysis of the data to identify whether customers' social-demographic characteristics significantly influenced their reaction to proactive contact from the CRT (Appendix Table A3). This analysis indicated that age, employment status and income were statistically significant influences on customer engagement. As a result, customers in their 40s were more likely to react positively to contact from CRT than those in their 20s, all other things being equal (with odds ratios of 1.4 and 1 respectively). Customers who were unemployed and those who were retired from work were also more likely to welcome contact from CRT than those in full-time employment (with odds ratios of 1.5 and 2.3 respectively, compared with an odds ratio of 1 for customers in full-time employment). Personal income was another significant factor: the odds of reacting positively to contact from the CRT were 2.3 times higher among customers with personal incomes less than £100 per month than those who were better off.⁸ Other factors such as gender and housing tenure were not important predictors of customer engagement.

Previous research provides some further insight into customer engagement with creditors. This indicates that levels of borrowing and psychological factors can influence whether or not customers with financial difficulties engage with their creditors. People who owe less money and/or owe fewer creditors are found to be more likely to engage with their

creditors than those who report higher levels of debt (Lea et al, 2007; Mewse et al, 2010). There is also evidence that engagement with creditors is associated with financial self-efficacy, that is, an individual's belief in their ability to succeed in specific financial situations (Mewse et al, 2010).

4.3 The extent and nature of engagement with the Customer Review Team

Most of the customers we interviewed dealt with the CRT on the telephone. A few customers spoke to bank staff in a branch, which sometimes also involved talking to the CRT by telephone while they were in the branch. However they came into contact with the CRT, most of the customers we interviewed had several conversations with staff to try and resolve their financial issues. It was fairly common for customers who dealt with the CRT on the telephone to be allocated a named member of staff who handled their case. Other customers described how their cases were handled by different members of staff. We return to the issue of customer relations in Chapter 6.

Barclays CRT offers a range of options to support customers at risk of financial difficulty, including reduced repayment plans and freezing interest and charges. Where appropriate, the CRT recommends that customers seek free, independent debt advice (for example from a Citizens Advice Bureau, National Debtline or CCCS) and allows time for them to obtain that advice in line with the recommended 'breathing space' timescales set out in the Lending Standards Board's Lending Code.

Quantitative analysis of Barclays' management information indicates that, in the period September 2008 to January 2011, the most common form of help provided by the CRT to customers at risk of financial difficulty was 'general advice'. This accounted for 35 per cent of help provided. In 16 per cent of cases, a repayment plan of some kind was agreed between the customer and the CRT. In a similar proportion of cases (17 per cent), customers were sent an information booklet about 'How to keep your finances on track'. A small proportion of customers, six per cent, were referred to an independent advice service by the CRT. The data indicates that customers received a combination of these types of help (about 2.5 on average).

The depth interviews with customers provide further details about the types of help that was offered at this pre-arrears stage. Customers who were concerned about repaying a personal loan described two ways in which this was addressed, both of which involved rescheduling the loan to reduce the repayment amount. The first was to reschedule the loan so that it was repaid at a lower interest rate over a longer time period. In a few cases, loan repayments were also suspended completely for a short period of time. The second was to reduce the monthly loan repayment for a set period of time, and to review the agreement periodically. Again, this would result in an extended loan term to repay the amount owed.

Customers who were concerned about the overdraft charges they had incurred described a number of actions to resolve their financial difficulties. The main one was to agree a regular payment plan to reduce the overdraft to within the limit that had been authorised by the bank. In some cases, this was combined with a temporary increase in the authorised

overdraft limit, to avoid the customer incurring any further over-limit fees or charges in the short term. In other cases, customers reported that the overdraft charges they had already incurred were reduced or removed by the CRT.

In the course of their initial discussions with CRT, a few of the customers we interviewed were referred to an independent advice service. One case involved a customer who could not afford to repay her overdraft at the amount suggested by the CRT. She was referred to a free-to-client advice service, which negotiated a lower repayment plan with Barclays on her behalf. Having agreed a plan with the CRT to resolve her overdraft charges, another customer was referred to CCCS, a creditor-funded debt management company, for advice about her non-Barclays consumer credit debts. As we go on to discuss in Chapter 5, other customers who were worried about non-Barclays debts had approached their creditors themselves in an effort to resolve the problems they had.

In addition to the actions described above, some customers remembered general advice that they received from Barclays, such as setting up a budget; switching to a bank account that did not have an overdraft facility; and the use of internet banking as a way of keeping track of their finances. A few described how, with the help of the CRT, they had gone through and reviewed their regular standing order and direct debit payments, to check if any were superfluous and could be cancelled.

5. What were the outcomes of early creditor engagement?

The most common type of pre-arrears help offered by Barclays Customer Review Team (CRT) to the customers we interviewed was a payment plan of some form, to enable customers to repay personal loans or unauthorised overdrafts. Other less common forms of help included sorting out administrative errors on accounts that resulted in customers incurring bank charges.

In this chapter we examine the financial and other impacts of Barclays pre-arrears service for customers. In almost all instances, the financial issues that customers had with Barclays were resolved as a result of contact with the CRT. Some customers had also seen improvements in their general financial situation, such as an increase in earned income, since their contact with the CRT.

5.1 Resolving financial difficulties

The customers we interviewed had all been in contact with Barclays at some point between 2009 and early 2011. They were, therefore, at different stages in the process of resolving their financial difficulties. For example, some had only recently agreed a plan of action while others had already repaid what they owed. Even so, the overall picture was a positive one.

Almost all the customers who had instigated contact with Barclays themselves reported that their financial issues had been sorted out as a result of their initial discussions with the CRT. At the time of the research interview, they were in the process of repaying (or had repaid) what they owed. Apart from the odd occasion when a customer needed to ask for a one-off reduction in the repayment amount,

customers did not report any significant difficulties keeping up the repayments that had been agreed. A small number of customers had experienced administrative glitches in the implementation of the plan they had agreed with the CRT, such as delays in setting up direct debit payments, but on the whole the process had been straightforward.

In a few cases, it took longer to resolve customers' financial issues. For one customer, the initial plan was to extend his overdraft for three months while he continued to look for work. Unable to find a job in that time, it was agreed that he should close his account and repay his overdraft at a rate of £1 per month. On the advice of the CRT, he also opened a basic bank account with Barclays which did not have an overdraft facility. For another customer, the rescheduling of a personal loan worked well for several months. Following a further significant drop in income, this arrangement became unmanageable. She was referred by the CRT to an independent advice service and applied successfully for a Debt Relief Order.

We see a similar picture in relation to the customers who were proactively contacted by the CRT. Most had managed to resolve their financial concerns, which included repaying unauthorised overdrafts or personal loans, as well as in a few cases sorting out errors or discrepancies on accounts.

Across all the customers that we interviewed, a small number had not been able to fully resolve their financial difficulties with Barclays. One customer (who had contacted Barclays himself) reported being told that it was not possible to help him until he defaulted on his personal loan repayments. Following a review of her loan

repayment plan, another customer had been asked by the CRT to increase her loan repayment quite significantly, to an amount she considered unaffordable. At the time of the research interview, this issue had not been resolved.

In addition, a few customers who had been proactively contacted by the CRT about unauthorised overdrafts continued to incur over-limit charges. The reasons for this were not always clear, although in one case efforts to set

up an authorised overdraft seemed to have failed because the customer was unable to provide proof of income.

Not surprisingly, the outcomes of their contact with the CRT coloured customers' views of Barclays pre-arrears service, as described in Box 5. We examine what customers particularly liked and disliked about the pre-arrears service in more detail in Chapter 6.

Box 5. Customers' views of Barclays pre-arrears service

For most of the customers we interviewed, engagement in the pre-arrears process had resolved the difficulties they had with overdrafts and personal loans. These customers expressed wholly positive views about the help they had received from Barclays, which often exceeded their expectations. They valued the collaborative approach taken by Barclays to agree repayment plans that were affordable for the customer. Resolving matters quickly and the helpful attitude of staff also contributed to customers' positive views, as the following comments illustrate:

'... very helpful, nice and clear, no pressure.'

'... he couldn't do enough to help me.'

Some customers expressed mixed or negative views about the pre-arrears service, including those whose financial concerns remained unresolved. Other customers were not wholly happy with the process even though their financial difficulties had eventually been sorted out. Various reasons for this were mentioned, including the length of time it took to sort out a repayment plan; glitches in setting up a plan to repay an overdraft which resulted in further charges; and wanting to sort out the issue in a different way, for example in a bank branch or with Barclays directly rather than through an independent advice service.

'I felt that they [Barclays] hadn't actually listened to me as a person but they'd listen to the debt company... it would have helped if they [Barclays] had dealt with me direct and listened to what I'd said and sorted it that way themselves.'

Source: Depth interviews with customers

5.2 The impacts of early engagement

Where customers' financial concerns with overdrafts and personal loans were resolved through the pre-arrears service (which was the case for most of them, as we saw above), they generally reported a positive financial impact. In the case of personal loans, this resulted from an often quite significant reduction in the repayment amount, which eased household budgets considerably. Customers who had stopped incurring over-limit overdraft charges also described how it was easier to manage financially now that they no longer had to meet these costs.

As well as this financial impact, customers reported other positive effects of early engagement. The one most commonly mentioned was a feeling of relief as a result of sorting out their financial concerns with Barclays. This was particularly the case among customers who had got in contact with Barclays themselves. Some customers also felt reassured to know that help was available at times of financial stress. A few customers were prompted to contact their other creditors on the strength of their experience with the CRT.

Customers also reported changes to their attitudes and behaviour. In some cases, this was a direct result of advice they had been given by the CRT. In others, it was more a consequence of the experience they had been through, rather than any specific advice they had received. A sizeable number of the customers we interviewed reported changes to the way in which they now managed their money, in order to keep their finances under control. The sorts of behaviour mentioned by customers included

making and sticking to a budget; keeping a closer eye on finances, for example by setting up internet banking to enable them to monitor accounts online; cutting back on spending; and dealing mostly in cash. Several customers described how their attitudes towards consumer credit had changed as a result of their experiences. As a result, they were more cautious about using credit, for example only using credit cards in an emergency or not dipping into overdrafts as they had done before.

Just as many customers, however, considered themselves to have always been competent money managers. For them, the root cause of their financial difficulties was a drop in income, rather than any deficiency in their money management skills. Very few of the customers we interviewed expressed any explicit wish for help managing their money. It was only raised by two customers, both men who acknowledged they were not very good at dealing with their finances. Both would have welcomed face-to-face advice on how to manage their money more effectively, for example by means of a 'financial MOT'.

As we might expect, customers' opinions of Barclays were influenced by the outcome of their recent contact with the CRT. Customers who had fully resolved their financial difficulties generally reported that Barclays had increased in their estimation as a result of their contact with the CRT. In some cases, this meant that customers' existing positive impression of Barclays had been reinforced. For others, the experience had helped turn around a neutral or somewhat negative perception of the bank.

Box 6. In their own words: Customers' views of the impacts of early engagement

Customers who resolved their problems with overdrafts and personal loans benefited financially from reduced outgoings. Other benefits included relief from worry, as described by one customer:

'It made it a lot better... I wasn't worried so much that they were going to take me to court over me bank loan, missing my bank loan payments... I felt like something was being done.'

As a result of their experiences, some customers now managed their money more carefully than before:

'It just made me more careful really... and more aware that I know what was coming out and when, to plan ahead.'

'I'm more concerned... I keep a constant eye on where the money goes, how I spend, why I spend it, do I really need it, because I might not need it. I try to cut down what I've been doing, even buying food.'

Others described how they had always been adept money managers, whose finances were simply thrown off track by a drop in income such as redundancy.

'I already budget... I got rid of everything I could so I was living on the minimum but it still wasn't enough.'

Source: Depth interviews with customers

There was another group of customers who were impressed by the help they had received from the CRT to resolve their financial issues but were less positive about the service they had received from other departments within the bank, either recently or in the past. The small number of customers who had been unable to resolve their financial difficulties satisfactorily reported that Barclays had gone down in their estimation as a result.

5.3 Dealing with other creditors

As well as problems related to overdrafts or personal loans held with Barclays, many of the customers we interviewed were also at risk of financial difficulties with other commitments. These were typically other consumer credit commitments such as credit cards. Some customers also faced problems with mortgages, Council Tax or utilities.

Analysis of the interview data showed that customers in this position had generally got in contact with their other creditors around the same time that they came into contact with Barclays. In a few cases, customers were prompted to contact their other creditors after they had spoken to Barclays, for example because they felt more confident to speak to their creditors as a result of their experience with the CRT. A few customers had received advice on dealing with their other creditors from an independent advice service, which they had been referred to by the CRT.

Customers seemed to have been reasonably successful negotiating payment arrangements with their other creditors. However, some reported that it had been a difficult process and in a few instances this was ongoing.

5.4 Customers' current financial situation

As described in Chapter 3, we asked customers to subjectively assess their general financial situation at the time they initially came into contact with Barclays. We also asked them to reflect on their current financial situation at the time of the research in March/April 2011. It was encouraging that customers generally reported improvements in their financial situations, as illustrated in the table below.

As we might expect, analysis of the interview data clearly suggests a link between customers' ability to sort out their financial difficulties with Barclays and other creditors and their general financial situation. It also highlights the importance of income as a route out of financial difficulty.

As we saw earlier, almost all the customers we interviewed had resolved their financial issues with Barclays or were well on the way to doing so, with positive financial impacts as a result. It was common for these customers to report that their financial situation had improved since their contact with Barclays. An increase in income was often another significant contributory factor, for example where customers had moved back into work following the redundancy or period of ill health that had created their financial difficulties. In other words, the root cause of their financial difficulties had been alleviated, although in some cases they had accepted lower-paid work.

Table 3: Which of these statements best describes your financial situation at the time you came into contact with Barclays?

Statement	At time of contact with Barclays	At time of research interview (March/April 2011)
Keeping up without any difficulties	1	4
Keeping up but it was a struggle from time-to-time	11	18
Keeping up but it was a constant struggle	10	10
Had fallen behind with some of them	7	3
Had fallen behind with many of them	6	0
Don't know	1	1

Source: Depth interviews with customers

Better money management was another factor that may help to explain customers' improved financial situations: customers who said they managed their money more carefully as a result of their experiences generally also reported improvements to their overall financial situation.

Some others who had sorted out their financial difficulties with Barclays reported no change in their general financial situation. Their income remained unchanged, and they continued to manage to keep up with bills and commitments even though it was often a struggle.

A few customers who had resolved their financial difficulties with Barclays considered their general financial situation to have got worse in the time since they had been in contact with the bank. A loss of income having created their original financial difficulties, they were still out of work or had seen their earnings continue to fall. Despite recent improvements in their financial situation, a few others (notably all in their 50s) expressed concerns about their future financial health, because they were also still out of work or because the downward trajectory of their incomes continued.

Of the small number of customers who had not been able to sort out their financial issues with Barclays, some reported an improvement due to increased income (such as the receipt of backdated benefits). Others continued to struggle to manage.

Box 6. Customers' current financial situation

The customers we interviewed mostly managed to resolve their financial difficulties with Barclays and, at the time of the research in March/April 2011, reported general improvements to their overall financial situation.

Charley, for example, is a young woman in her early 30s, who attributed her financial difficulties to overspending. She was contacted by the CRT in 2009, having exceeded her authorised overdraft limit several months in row. By February 2010, she was back within her overdraft limit, through the repayment plan agreed with the CRT. On the advice of the CRT, she also now uses online banking to keep track of her finances. She described the CRT as the 'helping push' she needed to sort her finances out, and felt much happier as a result *'because I know I haven't got that big debt to worry about anymore.'*

A recent move to a better-paying job has also boosted her finances, so that she generally manages to keep up with her bills and commitments without any difficulty whereas before it was a constant struggle.

Source: Depth interviews with customers

6 Pre-arrears services: What do customers want?

In previous chapters, we examined the pre-arrears process as experienced by Barclays' customers and the impacts for customers of early creditor engagement. On the whole, customers expressed high levels of satisfaction about the help they received from the Customer Review Team (CRT), not least because they had generally been able to sort out the difficulties they had with overdraft charges or personal loan repayments.

In this last chapter, we draw upon qualitative data from the depth interviews and focus groups to explore the particular likes and dislikes of customers who have been through the pre-arrears service and outline what an ideal service would look like from the customers' perspective. We do not take creditors' perspectives into account. Clearly some of the issues raised by customers are covered by the Lending Standards Board's Lending Code. Others are not, and individual creditors will vary in the extent to which they provide the types of service that customers say they want.

6.1 Customer likes

As we saw in Chapter 4, the quantitative and qualitative data indicated that customers generally welcomed proactive pre-arrears contact from Barclays CRT. The customers who had got in contact with Barclays themselves also liked the idea of proactive contact by creditors, to offer help to customers at risk of financial difficulty before they had missed loan repayments or incurred high overdraft charges. This type of contact was qualitatively different from a telephone call or letter from a creditor demanding repayment. The existence of a separate department to help people at risk of financial difficulty was felt to be crucial.

There were two elements of the pre-arrears service that customers in the depth interviews and focus groups particularly valued. The first was the general approach to service delivery. Worried and anxious about their financial difficulties, customers attached great importance to the fact that they were treated as an individual. They liked the fact that staff were friendly, helpful, and most of all understanding. In the opinion of some older customers, this understanding was mostly gained through life experience. Being able to deal with the same member of staff over a period of time was also something that customers greatly appreciated. Relatively small things could make a big difference to customers as well, for example staff members calling customers back to save them the cost of a telephone call or confirming the details of a conversation in a letter.

The other important element, not surprisingly, was the help and support that was provided to customers. Key factors here included being able to deal with knowledgeable staff who could sanction a particular course of action. A collaborative approach to agree a workable and affordable solution (such as a repayment plan) was another positive aspect of service provision from the customers' perspective. This included the opportunity for customers to talk through the options open to them. Being able to sort out financial difficulties quickly and straightforwardly was important, given the considerable stress that customers experienced even at the pre-arrears stage. Once a plan of action had been agreed, customers were also in favour of the CRT monitoring how they were managing, for example by means of a telephone call every month or six weeks.

6.2 Customer dislikes

Although satisfaction with the pre-arrears service was generally high, customers in the depth interviews and focus groups identified two key areas where they saw room for improvement. The first related to the timing of creditor contact with customers at risk of financial difficulty. Customers felt strongly that creditors should get in contact at an earlier stage, when they first identified that customers might be at risk of financial difficulty. In the case of overdrafts in particular, this meant that creditors would get in contact before charges had mounted up (or even been applied). Indeed, it was not uncommon for customers to express anger and frustration about overdraft charges, in terms of the level of charges and how they were applied.

The second area where customers felt creditors could do better was in terms of access to pre-arrears services such as the CRT. Customers generally recognised and valued the fact that the CRT was a separate department to deal with customers who had financial concerns. For customers who got in contact with Barclays themselves (rather than being contacted by the CRT), it was profoundly frustrating to be transferred from one department to another before they were put through to the CRT. In their view, it would be a great improvement if all customer service staff knew about these types of specialist services and were able to transfer customers straight away.

Box 7. In their own words: What customers liked about the pre-arrears service

'It was more of a friendly approach rather than a business approach, sort of personal touch like ordinary people, you know, not just people sat at a desk.'

'[having a named contact was] like an umbilical cord, you know. You couldn't really fall into the ether.'

'The best thing for me was they kept it quite simple, straightforward and was action oriented, it was something I could do straightaway.'

'It was very helpful to have someone trying to understand where I was coming from.'

Source: Depth interviews with customers

In addition, a few customers would have preferred to deal with their local bank branch than a centralised telephone unit like the CRT. However, most customers in the interviews and focus groups seemed happy to deal with the CRT by telephone.

Other 'dislikes' that customers raised in the depth interviews and focus groups included the inconsistent way in which creditors sometimes treated customers who were at risk of financial difficulty. For example, compared with the helpful and understanding attitude of the CRT staff, a few customers described experiences of dealing with other departments where they found staff unhelpful or even rude. Apparently contradictory information from different parts of the organisation was another (albeit rare) example of inconsistency. Administrative glitches such as lost paperwork and delays in sorting problems out were also a source of irritation for customers.

Box 8. In their own words: How customers felt the pre-arrears service could be improved

'Their financial advice was extremely helpful, I just wish I'd had it earlier.'

'It would have been nice if somebody could have contacted me about 6 months [earlier] instead of a year when I rang them....but it's in their interest for me to pay interest..'

'There does seem to be quite a long administrative avenue to go down before you get to whoever you want to speak to.'

'...they were really helpful at the finish, when you get through to the right department they're really helpful. It's just getting through to them that is the problem.'

Source: Depth interviews with customers

6.3 Customer views about independent advice services

One of the options open to creditors when dealing with customers at risk of financial difficulty is to refer them, where appropriate, to an independent debt advice service. The depth interviews and focus groups suggested some interesting differences among customers in terms of how they felt about being referred (specifically by their bank) to a third party for advice.

Some customers welcomed the idea wholeheartedly, and considered that banks and other creditors should routinely provide details of independent advice services to customers at risk of financial difficulty, particularly where customers had debts to a number of different creditors. Customers who had used independent advice services found the advice they had received helpful.

A number of customers expressed a strong preference for dealing directly with their bank. As we saw in Chapter 5, one customer was unclear why she had been referred to an independent advice service when she wanted to deal with Barclays directly (see Box 5). Similar views were expressed in a focus group of customers who were mostly in their 30s. Based on their own experiences, the need to involve a third party was questioned by some focus group participants.

A few of them were concerned about the potential impact on their credit rating. One participant was clearly upset at being referred to a third party, commenting that 'I felt I'd been rejected.' The depth interviews and focus groups indicated that some customers who were referred to an independent advice service by Barclays CRT were not always sure what organisation they had been referred to (even after they had contacted the organisation). This may help to explain customers' desire to deal with Barclays directly. It also highlights the value of creditors and advice services providing clear information about the nature and purpose of independent advice and the delicate task that a pre-arrears service may face in referring customers at risk of financial difficulty to appropriate independent advice services, in terms of the type of service provided (e.g. casework, self-help and managed plans) as well as the delivery channel (face-to-face, telephone or online).

6.4 What would an ideal pre-arrears service look like from the customers' perspective?

The depth interviews and focus groups provided a clear picture about what an ideal pre-arrears service would look like from the customers' perspective. It has three key elements: getting in contact; customer relations; and help and support (see Box 9). Some of these things clearly relate to customer service generally; others are specific to, or especially important in dealing with customers at risk of financial difficulty.

An ideal pre-arrears service from the customers' perspective

- The pre-arrears service is operated as a separate department to help people at risk of financial difficulty.

Getting in contact

- The pre-arrears service gets in touch with customers at an early stage, when it first identifies that customers might be at risk of financial difficulties.
- Customers can also get in touch and keep in touch with the pre-arrears service easily and without incurring large telephone bills.

Customer relations

- The staff are understanding, polite and friendly to customers who are likely to be worried about their situation.
- Customers are able to deal with the same member of pre-arrears staff to sort out their financial difficulties.

Help and support

- The pre-arrears service is staffed by people who are suitably trained, knowledgeable and have the authority to take decisions.
- The pre-arrears service is happy to explain and discuss options with customers, and takes a collaborative approach to agree a course of action.
- Once a plan of action is in place, the pre-arrears service keeps in touch with customers to check how they are managing.

7. Conclusion

Pre-arrears services are a relatively new phenomenon in the UK credit industry. They aim to engage with customers who are at risk of financial difficulty at an early stage, in order to prevent the escalation of debt problems and the economic and social costs that can result. Barclays Customer Review Team (CRT) proactively contacts personal customers who show early warning signs of financial difficulty, in order to help them improve their financial situation. The CRT also helps customers who contact Barclays themselves because of concerns they have about their finances.

This research highlighted three key elements that creditors have to get right in order to deliver an effective pre-arrears service: getting in contact; customer relations; and help and support. Understanding the psychological and emotional state of customers at risk of financial difficulties is a particularly important factor for creditors to take to account when thinking about pre-arrears services.

The research provides quantitative and qualitative evidence that customers largely welcomed proactive contact from Barclays CRT at the pre-arrears stage, to offer help to those at risk of financial difficulty. This type of contact was recognised by customers as qualitatively different from a telephone call or letter from a creditor demanding repayment. There were however significant differences in the characteristics of customers who do and do not engage with proactive pre-arrears services, by age, employment status and income.

Early engagement with customers generated a range of positive impacts. While there were some customers who had not reached a satisfactory outcome to their financial difficulties, almost all the customers we interviewed had been able to sort out their financial issues relatively quickly and straightforwardly with the help of the CRT. Their finances benefited as a result, making it somewhat easier to keep up with bills and commitments. An increase in income was often the other significant contributory factor. Relief from the stress of money worries was a welcome side-effect of working with the CRT to sort out financial problems, as was better money management.

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Appendix 1. Research methods

The quantitative data analysis was carried out on an anonymised dataset comprising customers who had been in contact with the Customer Review Team between September 2008 and the end of January 2011. The data was analysed using SPSS statistical software.

Perspectives Market Research recruited participants for the qualitative depth interviews and focus groups using recruitment questionnaires designed by the Personal Finance Research Centre and agreed with Barclays and the Money Advice Trust. The profile of the customers who were interviewed in depth is provided in Table A1.

Table A1: Socio-demographic profile of customers who were interviewed in depth

		Proactively contacted by CRT	Contacted CRT themselves	All
		13	23	36
Gender	Male	5	12	17
	Female	8	11	19
Age	20-29	2	5	7
	30-39	4	6	10
	40-49	2	10	12
	50-59	2	2	4
	60+	3	0	3
Household composition	Single, no dependent children	4	8	12
	Lone parent	2	2	4
	Partnered, no children	0	1	1
	Partnered with dependent children	7	12	19
Housing tenure	Rents privately	5	9	14
	Rents from local authority or housing association	2	4	6
	Owns home (with or without mortgage)	3	7	10
	Some other arrangement	2	4	6
Works more than 16 hours a week?	Yes	9	15	24
	No	4	8	12

The fieldwork was carried out by professional researchers from the Personal Finance Research Centre using topic guides that were agreed with Barclays and the Money Advice Trust. The depth interviews were conducted face-to-face in March and April 2011, in Bristol, Cardiff, Oxford, Reading and Twickenham. The focus groups were conducted in May 2011 in London and Manchester. Customers who participated in the qualitative research received £50 as a thank-you and to cover any expenses incurred as a result of travelling to the venue and taking part.

The depth interviews were digitally recorded (with respondents' permission) and fully transcribed. Data analysis was carried out using thematic grids designed for qualitative data. The focus groups were also digitally recorded (with respondents' permission), and written up in note form for analysis.

Appendix 2. Regression tables

Table A2: Regression model of customers who got in contact with Barclays themselves

		Coefficient(£)	Standard Error	Significance	Odds
Age	20-29			.000	
	30-39	0.18	0.05	0.00	1.20
	40-49	0.22	0.05	0.00	1.25
	50-59	0.20	0.05	0.00	1.22
	60-69	0.12	0.07	0.08	1.13
	70+	0.20	0.10	0.04	1.22
Gender	Female				
	Male	-0.28	0.03	0.00	0.76
Employment Status	F/T			0.00	
	P/T	0.09	0.05	0.09	1.09
	S/E	-0.54	0.05	0.00	0.58
	Unemployed	0.41	0.05	0.00	1.51
	Retired	0.24	0.08	0.00	1.27
	Student	-0.16	0.14	0.23	0.85
	Homemaker	-0.17	0.06	0.01	0.84
Personal income	1,000-1,999			0.00	
	0-99	-0.63	0.08	0.00	0.53
	100-299	-0.61	0.08	0.00	0.54
	300-499	-0.54	0.07	0.00	0.58
	500-999	-0.23	0.04	0.00	0.79
	2,000-2,999	0.04	0.06	0.47	1.04
	3,000+	-0.22	0.09	0.01	0.80
Reason for difficulties	Job loss or other drop in income			0.00	
	Health reasons	0.02	0.07	0.72	1.02
	Employment-related	0.02	0.06	0.70	1.03
	Personal circumstances	0.34	0.08	0.00	1.40
	Unexpected expenditure	-0.06	0.08	0.45	0.94
	Financial management	-1.71	0.04	0.00	0.18
	Economic climate	-1.76	0.07	0.00	0.17
	Other	-1.22	0.04	0.00	0.29
Constant		1.54	0.05	0.00	4.68

Table A3: Regression model of customers who responded positively to proactive contact by Barclays

		Coefficient(£)	Standard Error	Significance	Odds
Age	20-29	-			
	30-39	0.16	0.08	0.07	1.17
	40-49	0.35	0.09	0.00	1.42
	50-59	0.19	0.10	0.06	1.20
	60-69	0.06	0.13	0.66	1.06
	70+	-0.16	0.20	0.42	0.85
Gender	Female	-			
	Male	0.16	0.06	0.01	1.17
Employment Status	F/T	-			
	P/T	0.31	0.10	0.00	1.36
	S/E	0.16	0.09	0.09	1.17
	Unemployed	0.37	0.12	0.00	1.45
	Retired	0.83	0.17	0.00	2.29
	Student	-0.11	0.23	0.64	0.90
	Homemaker	0.26	0.12	0.03	1.30
Personal income	1,000-1,999	-			
	0-99	0.85	0.20	0.00	2.33
	100-299	0.17	0.16	0.31	1.18
	300-499	0.22	0.14	0.11	1.25
	500-999	0.16	0.07	0.03	1.17
	2,000-2,999	-0.32	0.10	0.00	0.72
	3,000+	-0.73	0.14	0.00	0.48
Constant		0.93	0.08	0.00	2.53

